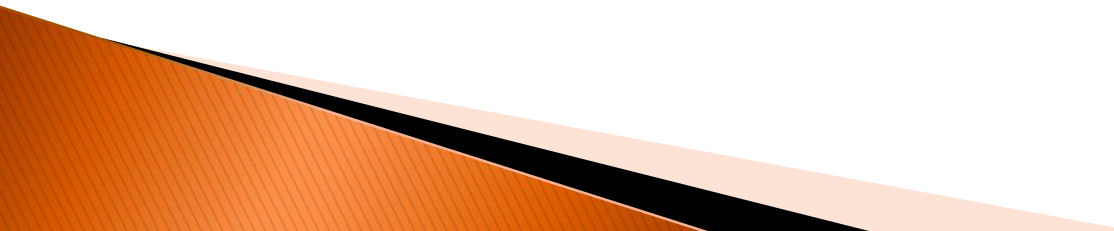


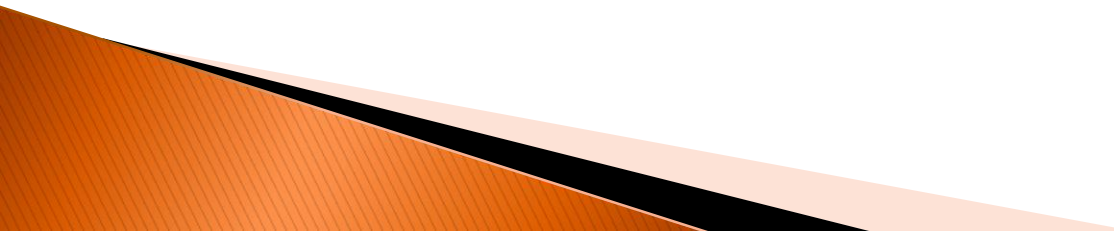
Targeted Jobs Withholding Tax Credit

Zhong Jin
Tax Research and Program Analysis Section
Iowa Department of Revenue

Program Description

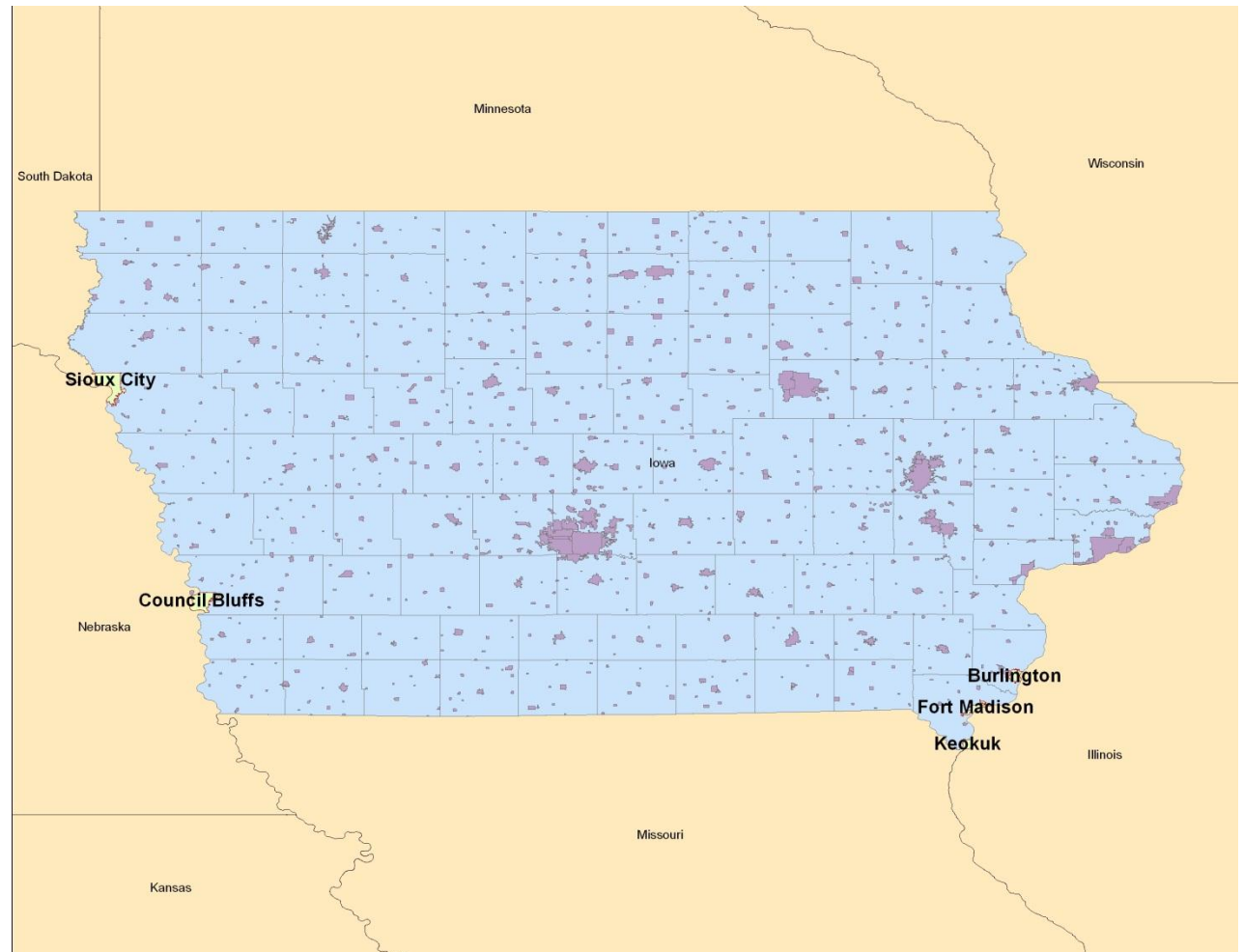
- ▶ The goal of the Targeted Jobs Withholding Tax Credit (TJC) is to help Iowa border cities compete with cities in neighboring states in attracting business investment and creating new jobs.
 - ▶ Pilot project cities: Sioux City, Fort Madison, Council Bluffs, Burlington, and Keokuk.
 - ▶ TJC diverts 3% of payroll of eligible employees in awarded businesses located in urban renewal areas to pilot project cities for ten years.
- 

Legislative History

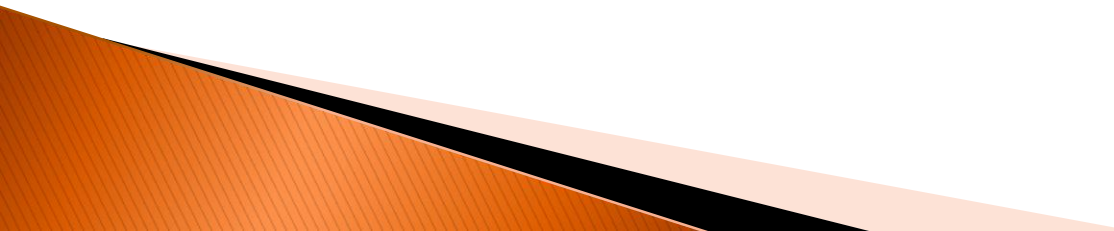
- ▶ The program was enacted in 2006 with the sunset year of 2010 for four pilot project cities.
 - ▶ The 2007 Legislative Session allowed two eligible cities located in the same county where the county has a total population of fewer than 45,000 to be considered one pilot project city.
 - ▶ In 2009, the sunset date of TJC was extended to June 30, 2013. Pilot project cities were prohibited to use the TJC to compete with other Iowa cities.
 - ▶ In 2011, retained jobs became eligible for the TJC.
 - ▶ In 2012, government entities became ineligible for the program.
- 

Population and Location of Pilot Project Cities, 2010

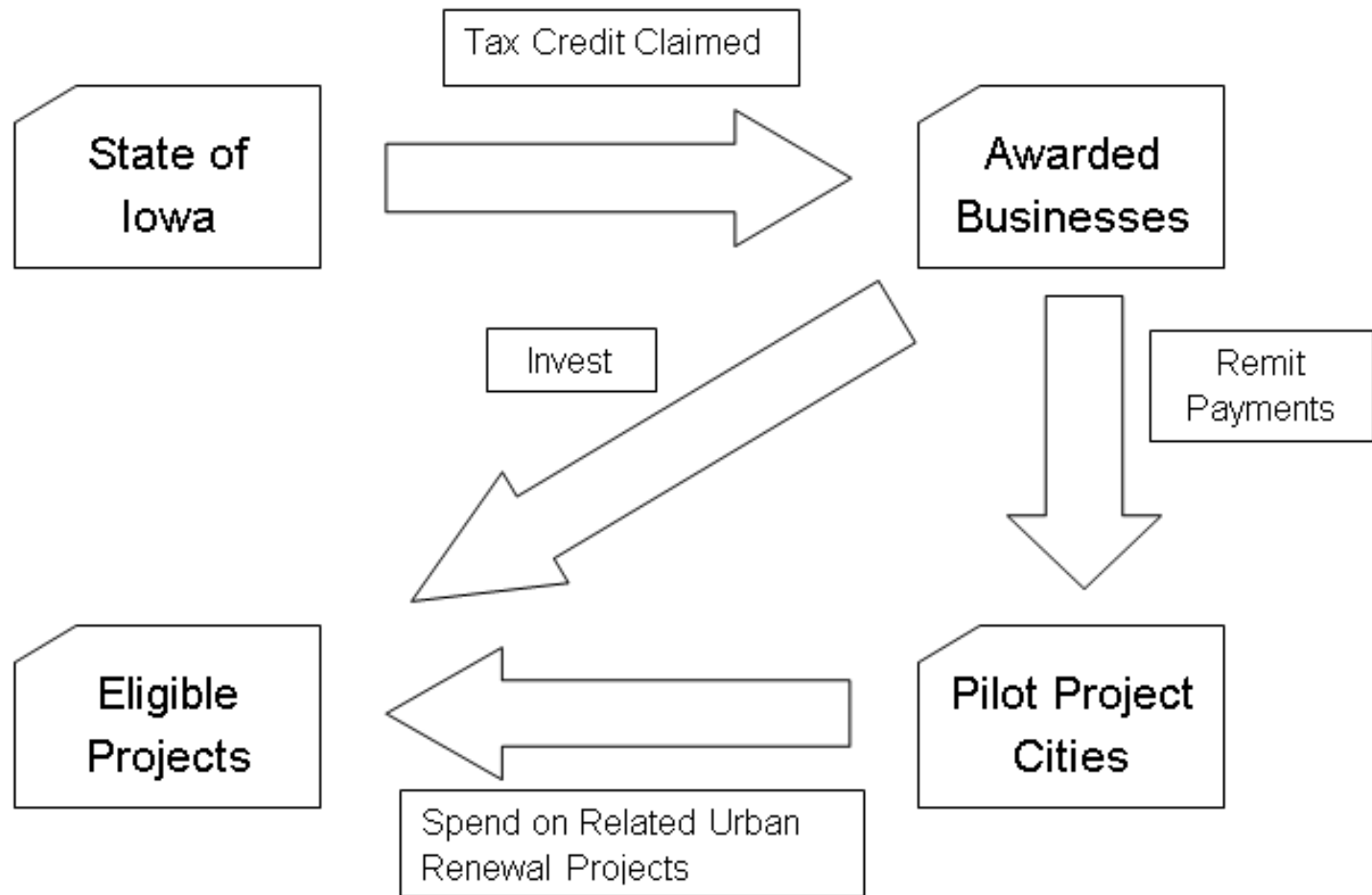
- ▶ Sioux City: 82,678
- ▶ Council Bluffs: 62,230
- ▶ Burlington: 25,663
- ▶ Fort Madison: 11,051
- ▶ Keokuk: 10,780



Program Eligibility

- ▶ Awarded businesses need to relocate to Iowa, create at least ten new jobs, retain at least ten jobs, or invest at least \$500,000.
 - ▶ Wages of eligible employees must equal or exceed the average county wages.
 - ▶ In practice, retail businesses are excluded from program eligibility.
- 

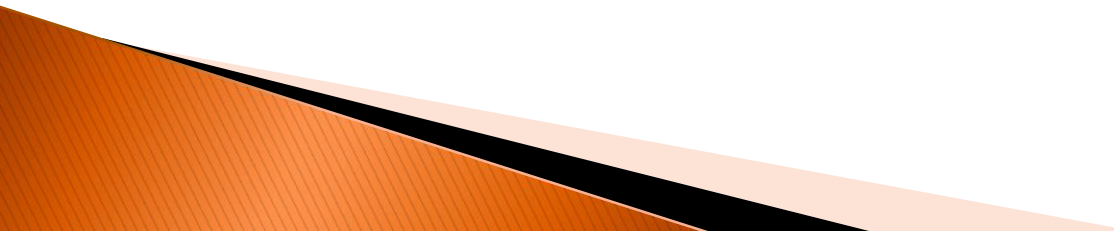
Tax Credit Diversion



Similar Programs in Other States

- ▶ Iowa's TJC is not common among state tax credits focusing on job creation because it is only available in border cities.
- ▶ Pennsylvania and New Jersey have similar programs.

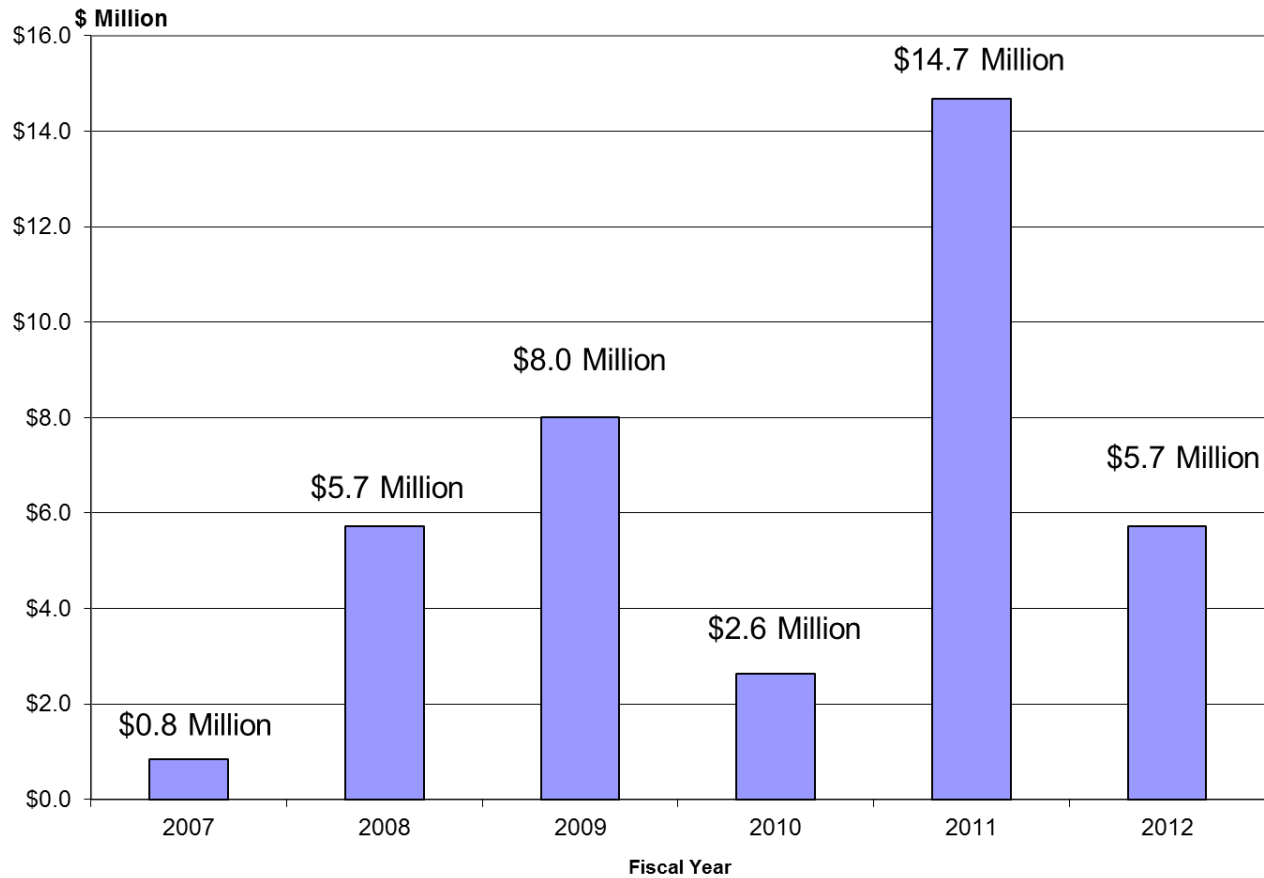
Competing Programs in Neighboring States

- ▶ The Nebraska Advantage Act
 - ▶ The Missouri Quality Jobs Tax Credit
 - ▶ The Illinois Job Tax Credit
 - ▶ No income tax in South Dakota
- 

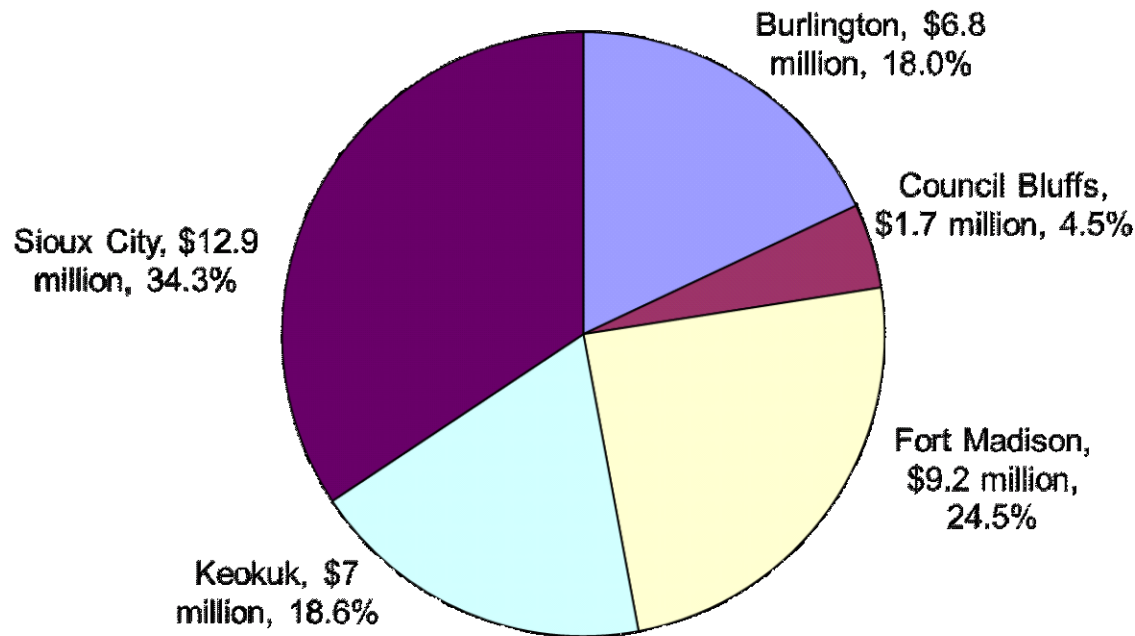
Awards Distribution by Award Size

Award Size	Number of Awards	Distribution of Number of Awards	Total Awards (\$ Million)	Distribution of Total Awards	Average Award (\$ Million)
\$100,000 or Less	3	7.7%	\$0.2	0.6%	\$0.07
\$100,000 - \$499,999	18	46.2%	\$5.1	13.7%	\$0.3
\$500,000 - \$999,999	8	20.5%	\$5.4	14.5%	\$0.7
\$1 Million - \$2.49 Million	6	15.4%	\$11.1	29.5%	\$1.8
\$2.5 Million and Over	4	10.3%	\$15.7	41.8%	\$3.9
Total	39	100.0%	\$37.6	100.0%	

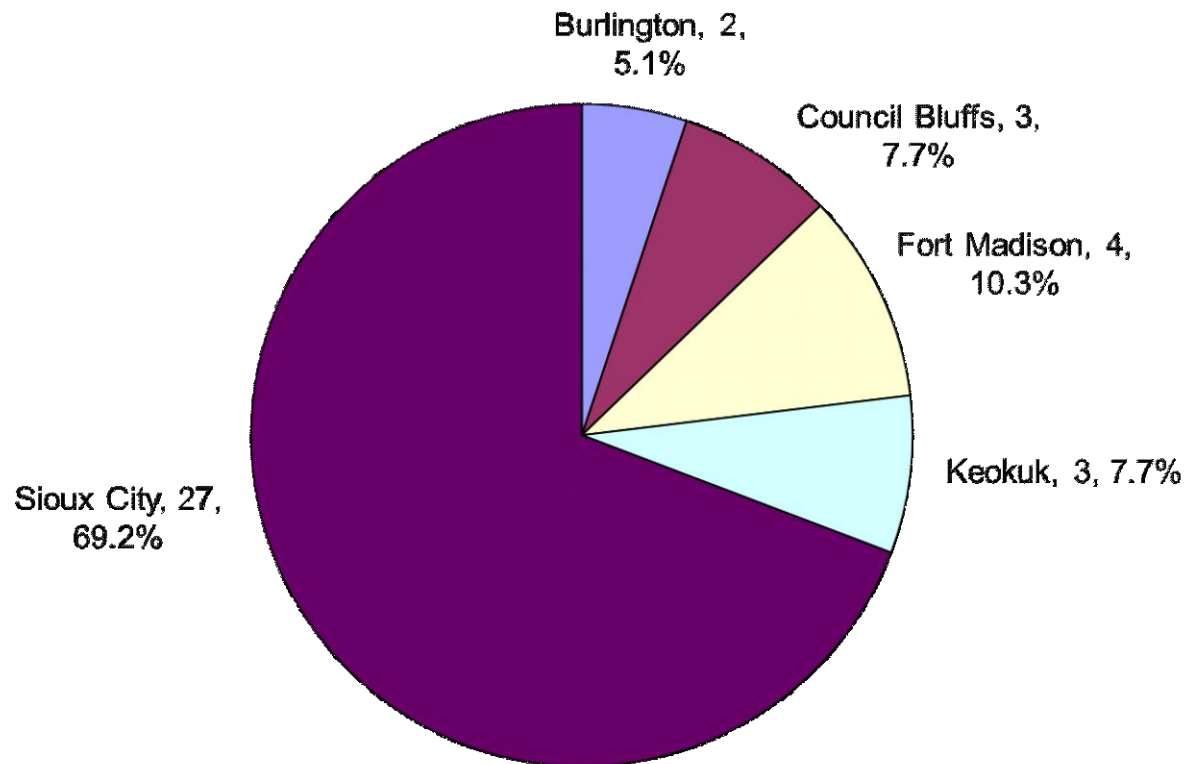
Award Amounts by Fiscal Year



Award Amounts by Pilot Project City



Number of Awards by Pilot Project City



Claims by Fiscal Year

Period	Count	Average Claim	Claims
FY 2007	4	\$1,987	\$7,949
FY 2008	28	\$13,164	\$368,584
FY 2009	60	\$14,752	\$885,118
FY 2010	85	\$16,653	\$1,415,544
FY 2011	88	\$21,134	\$1,859,817
FY 2012	97	\$30,183	\$2,927,720
Average	60		\$1,244,122
Total	362		\$7,464,733

Claims by Pilot Project City

City	Number of Claims	Total Claims	Share of Total Claims	Average Total Claim by Company	Total Payroll (2007-2011)	Ratio of Total Claims to Payroll
Burlington	18	\$1,650,731	22.1%	\$1,650,731	\$1.9 Billion	0.09%
Council Bluffs	11	\$260,541	3.5%	\$260,541	\$5.1 Billion	0.01%
Fort Madison	46	\$1,816,336	24.3%	\$605,445	\$1.1 Billion	0.16%
Keokuk	14	\$734,908	9.8%	\$244,969	\$1.1 Billion	0.07%
Sioux City	273	\$3,002,216	40.2%	\$136,464	\$7.3 Billion	0.04%
Total	362	\$7,464,733			\$16.5 Billion	0.05%

Claims by Industry

Industry	Number of Claims	Total Claims	Average Total Claim by Company
Manufacturing	128	\$4,639,059	\$463,906
Health Care and Social Assistance	87	\$1,044,537	\$130,567
Wholesale Trade	51	\$462,396	\$115,599
Other Industries	96	\$1,318,741	\$164,843
Total	362	\$7,464,733	

Other industries include finance, construction, transportation, professional service, and information.



Forecasted Claims between FY 2013 and FY 2022

► Assumptions

- No new awards after July 1, 2013
- Evenly distribution of future claims between FY 2013 and FY 2022

FY	Forecasted Claims	Forecasted Claims
	If Awards were Fully Claimed	Based on Historical Claims
2013	\$5,193,877	\$3,425,463
2014	\$5,193,877	\$3,439,598
2015	\$5,193,877	\$3,432,732
2016	\$5,193,877	\$3,432,837
2017	\$5,109,307	\$3,104,147
2018	\$4,537,848	\$2,799,981
2019	\$3,736,448	\$2,689,736
2020	\$3,472,631	\$2,558,283
2021	\$2,059,363	\$1,649,036
2022	\$1,184,885	\$321,255
Total	\$40,875,991	\$26,853,069
Claim Ratio	65.7%	

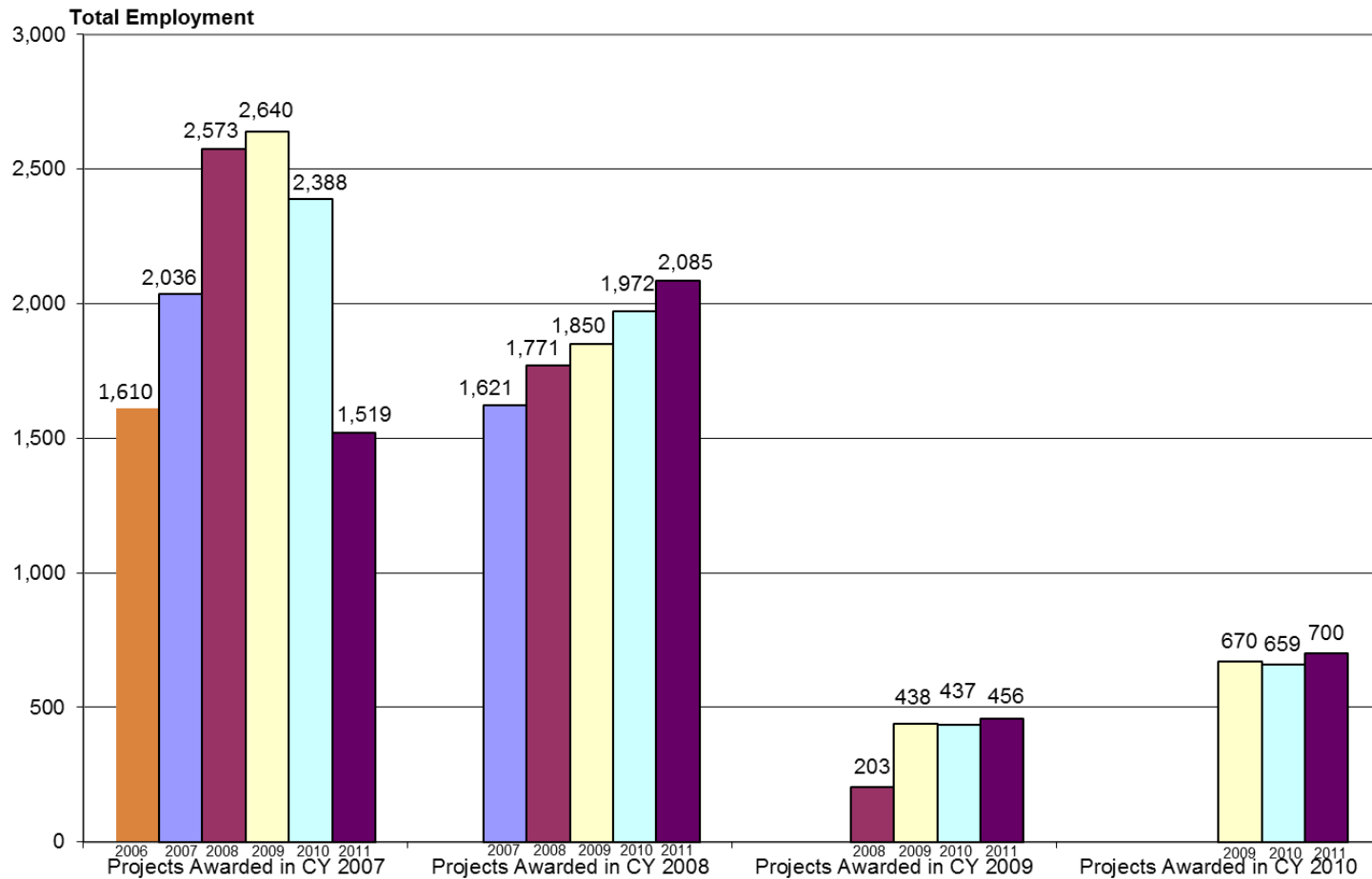
Payments Received by Pilot Project Cities by Fiscal Year

Period	Count	Payments
FY 2007	3	\$7,790
FY 2008	29	\$350,526
FY 2009	74	\$992,176
FY 2010	90	\$1,498,947
FY 2011	93	\$1,992,007
FY 2012	105	\$2,938,385
Total	394	\$7,779,831

Investment and Jobs Reported by Awarded Businesses

City	Pledged Investment	Actual Investment up to FY 2012	Pledged New Jobs	Actual New Jobs up to FY 2012	Pledged Retained Jobs	Actual Retained Jobs up to FY 2012	Ratio of Actual Investment to Actual Claims	Ratio of Actual Claims to Actual Jobs
Burlington	\$41.2 Million	\$41.6 Million	52	87	538	650	\$25	\$2,240
Council Bluffs	\$300.5 Million		80		56			
Fort Madison	\$101.4 Million	\$67.6 Million	473	291	444	378	\$37	\$2,715
Keokuk	\$40.7 Million	\$3.5 Million	0	0	558	305	\$5	\$2,410
Sioux City	\$66.9 Million	\$25.4 Million	429	196	744	522	\$8	\$4,181
Total	\$550.7 Million	\$138.1 Million	1,034	574	2,340	1,855	\$19	\$3,073

Total Employment of Awarded Businesses based on Iowa Workforce Development Data



The drop of employment in 2010 and 2011 for businesses awarded in CY 2007 reflected the merger of Delta Airlines and Northwest Airlines.

Direct Estimated Impact on Individual Income Tax Revenue using IWD Employment Data for CY 2007–CY 2011

Calendar Year	Estimated New Employees	Estimated Adjusted Gross Income	Estimated Tax Liability	Actual TJC Claims	Net Fiscal Impact
2007	201	\$65,217	\$452,230	\$171,372	\$280,858
2008	1,073	\$70,106	\$2,644,727	\$555,176	\$2,089,551
2009	1,477	\$63,052	\$3,324,267	\$1,248,927	\$2,075,341
2010	1,491	\$59,362	\$2,979,714	\$1,562,666	\$1,417,048
2011	1,001	\$65,173	\$2,284,549	\$2,324,604	-\$40,055
Total			\$11,685,487	\$5,862,745	\$5,822,742

Note: Adjusted gross income and effective tax rate are estimated using 2010 tax return because 2011 tax returns are not available yet.

Direct Estimated Impact on Individual Income Tax Revenue using Self-Reported Jobs for FY 2012

City	Both Created and Retained Jobs	Estimated Tax Liability	Actual TJC Claim in FY 2012	Net Fiscal Impact in FY 2012
Burlington	737	\$1,681,138	\$687,878	\$993,260
Council Bluffs				
Fort Madison	669	\$1,526,026	\$1,011,346	\$514,680
Keokuk	305	\$695,722	\$419,912	\$275,810
Sioux City	718	\$1,637,797	\$808,584	\$829,213
Total	2,429	\$5,540,683	\$2,927,720	\$2,612,963

Assume that the average adjusted gross income is \$65,173 for these jobs either created or retained.

Questions?